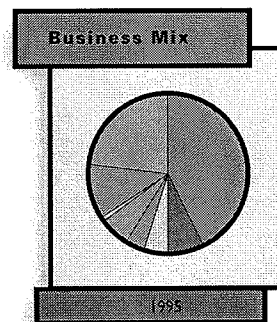


1996 Business Overview**Businesses****Ecolab**

Reaching customers in more than 150 countries around the world to provide products, systems and services to meet all their cleaning and sanitation needs is the premise behind Ecolab's Circle the Customer – Circle the Globe strategy. To this end, Ecolab develops and markets complementary offerings through seven business units in the United States: Institutional, Pest Elimination, Kay, Textile Care, Professional Products, Food and Beverage, and Water Care Services. In addition, as a global supplier, Ecolab reaches customers in Canada, Asia Pacific, Latin America, and Africa through direct subsidiaries, joint ventures, export operations, licensees and distributors.

Business Mix

- Institutional 43%
- Pest Elimination 7%
- Kay 5%
- Textile Care 4%
- Professional Products 6%
- Water Care Services 1%
- Food and Beverage 11%
- International 23%

Customers/Markets**Customers:**

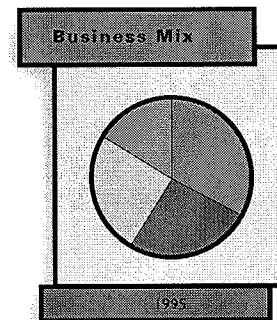
- Restaurants
- Hotels
- Quickservice operations
- Schools
- Laundries
- Healthcare facilities
- Dairy farms and plants
- Food, beverage and brewery processing plants
- Office buildings
- Shopping malls
- Light industry

Markets:

- United States
- Canada
- Asia Pacific
- Latin America
- Africa

Henkel-Ecolab

In Europe, Ecolab completes its Circle the Customer – Circle the Globe strategy through Henkel-Ecolab, a joint venture headquartered in Düsseldorf, Germany. Henkel-Ecolab's business mirrors that of Ecolab's elsewhere, offering the same premium products and services to global chains that require worldwide consistency and individual customers that prize value-added quality.



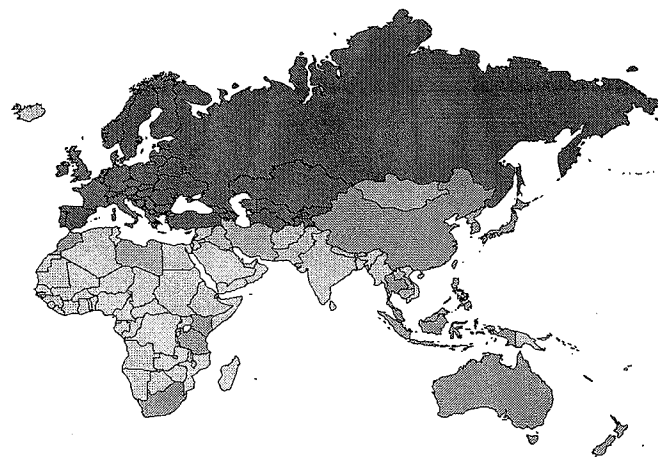
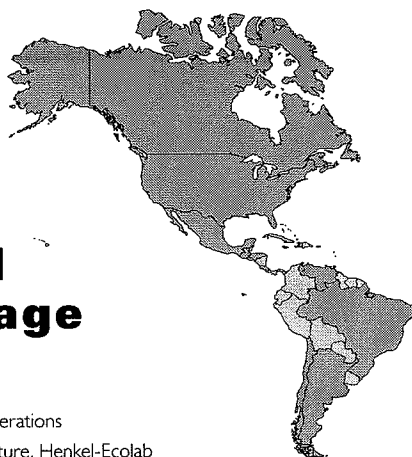
- Institutional 33%
- Professional Hygiene 26%
- Food (P3) Hygiene (Food and Beverage) 25%
- Textile Hygiene (Textile Care) 16%

Customers:

- Restaurants
- Hotels
- Laundries
- Healthcare facilities
- Dairy farms and plants
- Food, beverage and brewery processing plants
- Schools
- Office buildings
- Light industry

Market:

- Europe

Global Coverage

- Ecolab Direct Operations
- Ecolab's Joint Venture, Henkel-Ecolab
- Ecolab Export, Distributors or Licensees

Services/Products

Institutional: Detergents and sanitizers for warewashing, on-premise laundry, specialty cleaning products, product dispensing equipment and racks and related kitchen equipment for foodservice, lodging and healthcare industries.

Pest Elimination: Commercial pest elimination and prevention technology and services.

Kay: Sanitation products emphasizing single-use packets, grill cleaners and floorcare coating products, and highly structured training programs for the quickservice market.

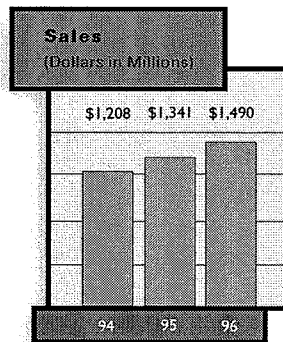
Textile Care: Cleaning and sanitizing products and services for large commercial laundries.

Professional Products: Detergents and sanitizers, floorcare, odor-control and infection-control products, and gym floor finishes for the janitorial and healthcare markets.

Water Care Services: Water treatment programs for boilers, cooling water and waste treatment systems, and pool and spa management programs.

Food and Beverage: Cleaning and sanitizing products, equipment, systems and services for the agribusiness, beverage, brewery, dairy and food industries.

Net Sales



Sales-and-Service Associates

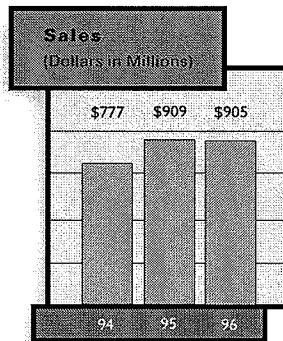
December 31	1994	1995	1996
Institutional	2,235	2,235	2,315
Pest Elimination	910	985	1,035
Kay	85	100	115
Textile Care	135	135	145
Professional Products	60	65	200
Water Care	--	100	100
Food and Beverage	270	285	350
Canada	240	240	265
Asia Pacific	580	635	595
Latin America	330	375	400
Africa	--	125	85
Total	4,845	5,280	5,605

Institutional: Warewashing and related products and services for commercial, hotel, restaurant and catering kitchens.

Professional Hygiene: Detergents, sanitizers, floorcare and odor-control products, and highly specialized disinfectants and other cleaning and sanitizing products for the healthcare industry.

Food (P3) Hygiene: Cleaning and sanitizing products for the agribusiness, beverage, brewery, dairy and food processing industries.

Textile Hygiene: Cleaning and sanitizing products and services for large and on-premise laundry market sectors.



December 31	1994	1995	1996
Total	2,440	2,470	2,370

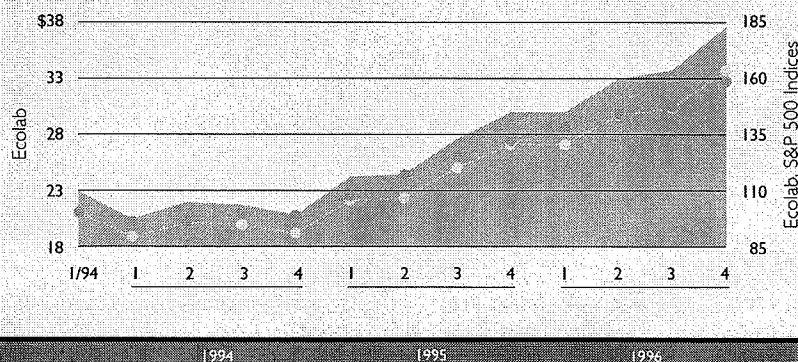
Ecolab Stock Performance

	1996		1995	
Quarter	High	Low	High	Low
First	\$32.63	\$29.13	\$24.88	\$20.00
Second	\$33.88	\$29.50	\$25.50	\$22.50
Third	\$33.75	\$29.50	\$28.13	\$24.25
Fourth	\$39.50	\$33.50	\$31.75	\$27.25

■ Ecolab Stock Price

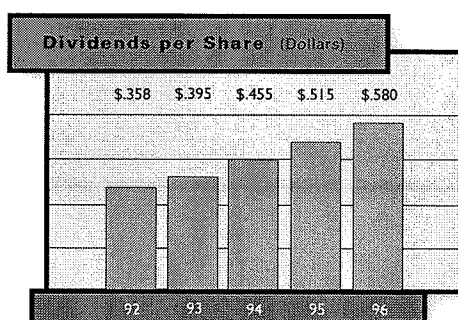
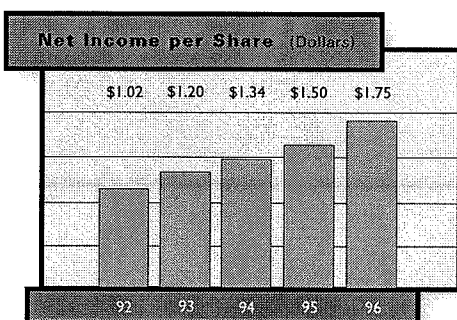
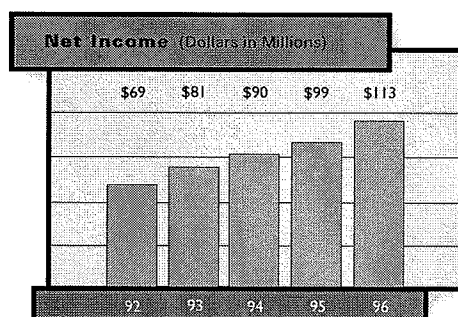
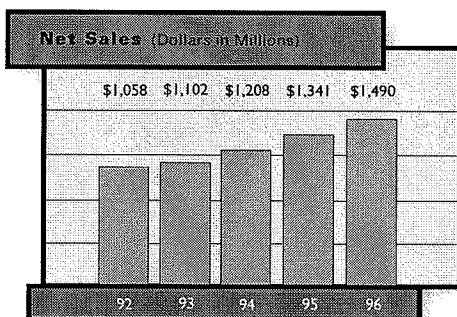
○ Ecolab Stock Price Index, Jan. 1, 1994 = 100

● S&P 500 Index, Jan. 1, 1994 = 100



Financial Highlights

December 31 (dollars in thousands, except per share)	1996	1995	1994	Percent Change	
				1996	1995
Net Sales	\$1,490,009	\$1,340,881	\$1,207,614	11%	11%
Net Income	113,185	99,189	90,464	14	10
Percent of Sales	7.6%	7.4%	7.5%		
Net Income per Common Share	1.75	1.50	1.34	17	12
Average Common Shares Outstanding	64,496	66,097	67,550	(2)	(2)
Cash Dividends Declared per Common Share	0.58	0.515	0.455	13	13
Cash Provided by Continuing Operating Activities	254,269	163,463	154,346	56	6
Capital Expenditures	111,518	109,894	88,457	1	24
Shareholders' Equity	519,963	456,658	461,808	14	(1)
Return on Beginning Equity	24.8%	21.5%	21.6%		
Total Debt	176,292	161,049	147,213	9	9
Total Debt to Capitalization	25.3%	26.1%	24.2%		
Total Assets	\$1,208,409	\$1,060,880	\$1,020,356	14%	4%



Net income and net income per share for 1994 and prior years are pro forma results which reflect adjustments to eliminate unusual items associated with the company's December 1994 merger with Kay Chemical Company.

Consolidated Balance Sheet

December 31 (thousands, except per share)	1996	1995	1994
Assets			
Cash and cash equivalents	\$ 69,275	\$ 24,718	\$ 98,255
Accounts receivable, net	205,026	198,432	168,807
Inventories	122,248	106,117	100,015
Deferred income taxes	29,344	21,617	22,349
Other current assets	9,614	7,188	11,753
Current Assets	435,507	358,072	401,179
Property, Plant and Equipment, Net	332,314	292,937	246,191
Investment in Henkel-Ecolab Joint Venture	285,237	302,298	284,570
Other Assets	155,351	107,573	88,416
Total Assets	\$1,208,409	\$1,060,880	\$1,020,356
Liabilities and Shareholders' Equity			
Short-term debt	\$ 27,609	\$ 71,647	\$ 41,820
Accounts payable	103,803	81,931	76,905
Compensation and benefits	71,533	59,766	56,445
Income taxes	26,977	18,248	13,113
Other current liabilities	97,849	78,946	65,382
Current Liabilities	327,771	310,538	253,665
Long-Term Debt	148,683	89,402	105,393
Postretirement Health Care and Pension Benefits	73,577	70,666	70,882
Other Liabilities	138,415	133,616	128,608
Shareholders' Equity (common stock, par value \$1.00 per share; shares outstanding: 1996 - 64,800; 1995 - 64,701; 1994 - 67,671)	519,963	456,658	461,808
Total Liabilities and Shareholders' Equity	\$1,208,409	\$1,060,880	\$1,020,356

See notes to consolidated financial statements.